

Guideline Answers to Nov 2014 Exam Questions CA IPCC – AUDITING AND ASSURANCE

Question 1 is compulsory (**4 × 5 = 20 Marks**)

Answer **any five** questions from the **remaining six** questions (**16 × 5 = 80 Marks**). [Answer any 4 out of 5 in Q.7]

Note: Page References are given from **Padhuka's Students' Handbook on Auditing and Assurance** for CA Inter (IPC)
Answers are provided from the viewpoint of May 2015 Exams, by applying the provisions of Companies Act, 2013.

Qn	Question	Answer Reference
1	Discuss the following –	
	(a) Advantages and Disadvantages of Joint Audit.	Page No. 48 SA-299 [RTP, M 11 Qn]
	(b) Disclosure Requirement relating to Trade Receivables under Schedule III to the Companies Act, 2013. (Question Modified)	Page No. 11.19 Para 11.2.2 Point P [N 11 Qn]
	(c) Indicate the factors which make it appropriate for an Auditor to send a new Engagement Letter for a recurring audit.	Page No. 48 SA-210 Point 6 [N 11 Qn]
	(d) Enquiry from Management is helpful for Auditor to evaluate Subsequent Events. Discuss specific enquiries in reference of SA 560, which might have effect on the Financial Statements.	Page 122, Point 2, and Page 123, Point 3, of SA-560
2	State with reasons (in short) whether the following statements are correct or incorrect: (Answer any eight)	
	(a) Emphasis of Matter Paragraph in the Auditor's Report is a substitute of Disclaimer of Opinion.	False , They are different aspects. Page 122, Point 5, Para A.3 of SA-706
	(b) The primary objective of an audit is to detect fraud and errors in Financial Statements.	False , Primary Objective = Expression of Opinion. Para 1.14, Page 1.2
	(c) The Statutory Auditor is required to verify inventory physically.	False , Attendance at Stock Taking is sufficient. Page No. 86 SA-501
	(d) It is the responsibility of the Auditor to ensure that Statement of Profit and Loss and Balance Sheet of the Company shall comply with the Accounting Standards.	False , it is Management's Responsibility. Para 1.14, Page 1.3, and Sec.129 of Companies Act 2013
	(e) An Auditor's External Expert is not subjected to Quality Control policies and procedures of an Audit Firm.	False , He is also part of Engagement Team. Page No. 18 SA-220
	(f) Extracts and Copies of important Legal Documents, Agreements and Minutes relevant to the audit is part of Current Audit File.	False , these are part of Permanent File. Page 24 SA-230, Pt.2
	(g) The Auditor shall express an Unqualified Opinion if the Auditor is unable to obtain sufficient audit evidence regarding the Opening Balances.	False , Qualified or Disclaimer Opinion to be given. Page 93 SA-510, Pt.3
	(h) The First Auditor is generally appointed by the Company at a General Meeting.	False , appointed by BOD. Page 10.6, Para 10.2.1
	(i) Surprise Checks are part of Internal Check.	False , It is a routine Audit Procedure. Page 3.6, Para 3.1.11
	(j) An Auditor is bound to provide copies of the Working Papers to the CEO of the Company.	False , It is at Auditors' discretion. Page 26 SA-230, Pt.3

Qn	Question	Answer Reference
3	How you will vouch/verify the following?	
	(a) Assets acquired on Lease.	Page No. 8.27 Para 8.5.9 [N 89, 92, 09, M 10 Qn]
	(b) Investment in the Shares and Debentures of Subsidiary.	Page No. 8.19, Para 8.4.1
	(c) Provision for Income Tax.	Page No. 7.21, Para 7.4.7 [RTP, N 91, 97, M 92 Qn]
	(d) Retirement Gratuity to Employees.	Page No. 7.8, Para 7.2.4 [N 02, 07, and M 90, 95, 08, 12 Qn]
4 (a)	Discuss in brief the types of Audit Risk and inter-relationship of the components of Audit Risk.	Page No. 53, SA-315 [RTP, M 07, N 07 Qn]
4 (b)	State the matters to be specified in the Auditor's Report in terms of provisions of Section 143(3) of the Companies Act, 2013. (Question Modified)	Page No. 10.17, Para 10.3.6
4 (c)	Verification of Issue of Bonus Shares.	Page No. 13.5, Para 13.2.1 [M 10 Qn]
5	Discuss the reference to SAs.	
	(a) "The degree of reliance that a Statutory Auditor can place on the work of the Internal Auditor is a matter of individual judgement".	Page No. 143, SA-610 [M 88, 95, 00, N 03 Qn]
	(b) Explain the audit procedure when Principal Auditor is using the work of another Auditor.	Page No. 137, SA-600 [N 08 Qn]
6 (a)	Mention any eight important points which an Auditor will consider while conducting the audit of a School.	Page 15.7, Para 15.1.7 [M 07, M 09 Qn]
6 (b)	Purpose of providing Depreciation.	Page 8.34, Para 8.5.22 [M 93, N 03, 12 Qn]
6 (c)	Casting or Totaling is an important tool of audit for an Auditor.	Page No.3.2, Para 3.1.2
7	Write short notes on any Four of the following.	
	(a) Power of Comptroller and Auditor General of India in performance of duties.	Page No.14.2, Para 14.1.4 [M 09, N 09 Qn]
	(b) Self-Revealing errors and four illustrations thereof.	Page No.1.6, Para 1.2.2
	(c) Substantive Procedures.	Page No.2.3, Para 2.1.7 [M 99, 04, 10 Qn]
	(d) Materiality and Audit Risk.	Page No.63, SA-320 [RTP, M 03, 07, N 08 Qn]
	(e) Companies not covered under Companies (Auditor's Report) Order, 2003.	Not Relevant for May 2015 Exams